

Tips for setting performance targets

- Establish a three-point range of targets for your metrics. These three types of targets can work together to shape your group's future performance.

For example, a minimum target of "12% error rate" can feel more manageable to employees and help them gain the positive results and confidence to meet your moderate ("9% error rate") and even "stretch" ("4% error rate") targets.

- ☐ Involve your employees. Your direct reports are closest to the action and in the best position to provide information on what's possible in their work. Involve them in setting targets—you'll gain their buy-in as they feel a sense of ownership in the process.
- ☐ Consider trends to establish a target baseline. If past data exist for performance on a particular metric, examine that data for trends that can serve as a baseline for setting targets for future performance.

For example, suppose you want to set a target for employee turnover over the coming six months, and turnover rates for your group have climbed slowly from 2% to 7% over the previous two years. In this case, a target of reducing turnover from 7% to 4% in the next six months may make sense and be realistic.

- ☐ Get your boss's input. Ask your boss for ideas about what level of performance on each metric might best enable your group to achieve its objectives. Your boss may have some helpful suggestions based on his or her experience and understanding of unit and company goals.
- ☐ Use SWOT analysis. Consider your group's internal strengths and weaknesses, as well as its external opportunities and threats. Ask yourself what targets would enable your group to build on its strengths and leverage opportunities, as well as minimize weaknesses and threats.

For instance, if your group is particularly knowledgeable about your company's products, perhaps the ambitious target of "25% increase in customer loyalty by quarter end" is perfectly realistic and achievable.

- ☐ Gather feedback from customers and other stakeholders. Expectations from these groups might yield insights you can use to set targets.

For example, by asking customers what constitutes great performance in their minds, you can generate targets that will meet or even exceed their performance requirements.

Source: Harvard Business Review 2007